

**Supporting Statement for the
Federal Reserve Membership Application
(FR 2083, FR 2083A, FR 2083B, and FR 2083C; OMB No. 7100-0046) and the
Federal Reserve Bank Stock Applications
(FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087; OMB No. 7100-0042)**

*Federal Reserve Bank Capital Stock
(Docket No. R-1533; RIN 7100-AE47)*

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the following application reporting forms:

Federal Reserve Membership Application (OMB No. 7100-0046):

- Application to the Board of Governors of the Federal Reserve System for Membership in the Federal Reserve System (FR 2083)
- Application for Federal Reserve Bank Stock (for use by state banks, except mutual savings banks, and by national banks converting into state member banks) (FR 2083A)
- Application for Federal Reserve Bank Stock (for use by mutual savings banks) (FR 2083B)
- Certificate of Organizers or of Directors (FR 2083C) and

Federal Reserve Bank Stock Applications (OMB No. 7100-0042):

- Application for Federal Reserve Bank Stock (for use by de novo national banks) (FR 2030)
- Application for Federal Reserve Bank Stock (for use by nonmember state banks converting into national banks) (FR 2030a)
- Application for Adjustment in the Holding of Federal Reserve Bank Stock (FR 2056),
- Application for Cancellation of Federal Reserve Bank Stock (for use by member banks in voluntary liquidation) (FR 2086)
- Application for Cancellation of Federal Reserve Bank Stock (for use by member banks converting into or merging into member or nonmember banks) (FR 2086a)
- Application for Cancellation of Federal Reserve Bank Stock (for use by insolvent member banks) (FR 2087)

The application for membership (FR 2083) is a required one-time submission that collects the information necessary for the Federal Reserve to evaluate the statutory criteria, outlined in section 9 of the Federal Reserve Act, for admission of a new or existing state bank into membership in the Federal Reserve System. The stock application forms (FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087) are required by the Federal Reserve Act and Regulation I - Issue and Cancellation of Federal Reserve Bank Capital Stock, 12 CFR Part 209. These application forms must be used by a new or existing member bank (including a national bank) to request the issuance, adjustment in, or cancellation of Federal Reserve Bank stock. The application forms must contain certain certifications by the applicant as well as

certain other financial and shareholder data that is needed by a Reserve Bank to process the request.

The Board is proposing to revise the FR 2083A, FR 2083B, FR 2030, FR 2030a, and FR 2056 to require that a bank report whether its total consolidated assets exceed \$10,122,000,000 when it applies to join the Federal Reserve System or applies for additional capital stock after merging with another entity. The annual reporting burden for the proposed membership application form is estimated to be 207 hours, an increase of 23 hours from the current burden of 184 hours. The annual reporting burden for the proposed stock applications is estimated to be 1,052 hours, an increase of 336 hours from the current burden of 716 hours.

Background and Justification

A state-chartered bank may become a member of the Federal Reserve System by filing an application and having the Board of Governors determine that the bank meets the statutory standards for membership. National banks automatically become members of the Federal Reserve System upon being chartered by the Office of the Comptroller of the Currency.

When acting upon a membership application filed by a state-chartered bank, the Federal Reserve is required under section 9 of the Federal Reserve Act to consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers to be exercised are consistent with the Federal Reserve Act. The other relevant criteria established by the statute (as well as by Regulation H - Membership of State Banking Institutions in the Federal Reserve System, 12 CFR Part 208) include the adequacy of capital, financial history and condition, future earnings prospects, and the convenience and needs of the community(ies) to be served. Information requested of a new bank (such as deposits and earnings projections, proposed premises, and the background of proposed bank officials) is not available from any source other than the applicant, and certain information regarding the operation of an existing bank is also not available from any other source. The information requested in the FR 2083 application is necessary for the Federal Reserve to be able to fulfill its responsibilities with respect to admitting a bank into membership. The Federal Reserve uses the information collected through the application form, along with other Federal Reserve System-generated data, to determine whether the applicant bank meets the standards for approval.

When a bank receives approval for membership in the Federal Reserve System, the bank agrees to certain conditions of membership that are contained in the approval letter. At the same time, the bank is advised that, under section 5 of the Federal Reserve Act (as well as Regulation I), the bank must subscribe to the capital stock of the Federal Reserve Bank in whose district the head office of the member bank is located. The Federal Reserve Bank stock application forms are necessary to obtain current information on the member bank's capital and surplus and to document the bank's request for an increase or decrease in its holdings of Federal Reserve Bank stock. This information is also used to verify that a request has been duly authorized and to prevent unauthorized requests for issuance or cancellation of Federal Reserve Bank stock. The application forms are used exclusively by the applying banks and the Federal Reserve Banks. The information collected on these application forms is not available from any other source.

Description of Information Collection

Federal Reserve Membership Application

The four individual application forms in the FR 2083 series (membership application and relevant attachments) are all one-time submissions that are used by organizing (de novo) or existing state-chartered banks to apply for membership in the Federal Reserve System:

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| FR 2083 | Cover sheet, with general information and instructions detailing the information to be submitted according to the type of applicant bank. |
| FR 2083A | Application form for the purchase of Federal Reserve Bank stock by state banks (except mutual savings banks) and by national banks converting into state member banks. |
| FR 2083B | Application form for the purchase of Federal Reserve Bank stock by mutual savings banks. |
| FR 2083C | Certificate of Organizers or Directors certifying that the information being submitted is true and complete, and the proposed capital is not impaired. |

Federal Reserve Bank Stock Applications

Any national bank wanting to purchase stock in the Federal Reserve System, any member bank wanting to increase or decrease its Federal Reserve Bank stock holdings, or any bank wanting to cancel its stock holdings must file an application with the appropriate Federal Reserve Bank. The application forms for the initial subscription of Federal Reserve Bank stock filed by organizing national banks and nonmember state banks converting to national banks (FR 2030 and 2030a, respectively) and the application forms for the cancellation of Federal Reserve Bank stock filed by liquidating member banks, member banks merging or consolidating with nonmember banks, and insolvent member banks (FR 2086, FR 2086a, and FR 2087, respectively) require one or more of the following:

- a resolution by the applying bank's board of directors authorizing the transaction
- an indication of the capital and surplus of the bank as of the date of application
- a certification (by official signatures) of the resolution
- an indication of the number of shares and dollar amount of the Federal Reserve Bank stock to be purchased or canceled

State-chartered banks and mutual savings banks do not use the FR 2030 or FR 2030a applications to purchase stock because the required information is collected on the FR 2083 application forms and received as part of the complete membership application.

The application form for an interim adjustment in a member bank's holdings of Federal Reserve Bank stock (FR 2056) requires:

- an indication of the capital and surplus of the bank as of the date of application
- an indication of the number of shares held and the number of shares to be acquired or canceled

A completed application form must be submitted for each required adjustment. Any member bank must use the FR 2056 to correct a discrepancy between the amount of Federal Reserve Bank stock required to be held and the amount actually held by the member bank. The latter is determined by the Reserve Bank through its monitoring of the bank's capital accounts reported quarterly on the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036). The Federal Reserve Bank stock applications are distributed by the Federal Reserve Banks and the information collected enables them to account for required subscription payments to the System and for dividends paid by the System on any outstanding stock.

Proposed Revisions

On February 24, 2016, the Board published an interim final rule (81 FR 9082) and on November 23, 2016, the Board published a final rule (81 FR 84415). The interim final rule became effective February 24, 2016, and the final rule became effective on January 1, 2017. The final rule established procedures for payment of dividends by the Federal Reserve Banks to implement the provisions of section 32203 of the Fixing America's Surface Transportation Act (FAST Act). The final rule sets out the dividend rates applicable to Reserve Bank depository institution stockholders and amends provisions of Regulation I regarding treatment of accrued dividends when a Reserve Bank issues or cancels Federal Reserve Bank capital stock.

The dividend rate to which a Reserve Bank stockholder is entitled under section 7 of the Federal Reserve Act (as amended by the FAST Act) depends on whether the stockholder's total consolidated assets exceed a certain threshold, initially set at \$10 billion and adjusted annually to reflect the change in the Gross Domestic Product Price Index, published by the Bureau of Economic Analysis. The current, inflation-adjusted total consolidated asset threshold in Regulation I is \$10,122,000,000.¹ Section 209.2(a) requires a bank to report whether its total consolidated assets exceed \$10,122,000,000 when it applies for membership in the Federal Reserve System. Section 209.3(d)(3) requires a bank to report whether its total consolidated assets exceed \$10,122,000,000 when it applies for additional capital stock after merging with another entity. The Board is proposing to revise the FR 2083A, FR 2083B, FR 2030, FR 2030a, and FR 2056 to require that a bank report whether its total consolidated assets exceed \$10,122,000,000 when it applies to join the Federal Reserve System or applies for additional capital stock after merging with another entity.

Time Schedule for Information Collection

Submission of these applications is event generated. The FR 2083 is filed by a new or existing bank when it wishes to become a member of the Federal Reserve System. The FR 2030 must be submitted by a national bank while in the process of organizing and the FR 2030a must be submitted by a state nonmember bank while in the process of converting to a national bank. The FR 2056 must be filed promptly after the first Call Report that reflects a required adjustment in a bank's holdings of Federal Reserve Bank stock or as necessitated by a merger or other consolidation. The FR 2086, FR 2086a, and FR 2087 are usually submitted 30 calendar days after the event triggering the need for cancellation of a bank's Federal Reserve Bank stock. The

¹ See 82 FR 11501 (February 24, 2017).

information in the applications is not published.

Legal Status

The Board's Legal Division has determined that the applications are authorized as follows:

- FR 2083: Section 9 of the Federal Reserve Act (12 U.S.C. §§ 321, 322, and 333);
- FR 2030 and FR 2030a: Section 2 of the Federal Reserve Act (12 U.S.C. §§ 222 and 282) and sections 9 and 11(a) of the Federal Reserve Act (12 U.S.C. §§ 248(a) and 321);
- FR 2056: Section 5 of the Federal Reserve Act (12 U.S.C. § 287) and sections 11(a) and (i) of the Federal Reserve Act (12 U.S.C. § 248(a) and (i));
- FR 2086: Section 5 of the Federal Reserve Act (12 U.S.C. § 287) and sections 11(a) and (i) of the Federal Reserve Act (12 U.S.C. § 248(a) and (i));
- FR 2086a: Section 9 of the Federal Reserve Act (12 U.S.C. § 321), section 5 of the Federal Reserve Act (12 U.S.C. § 287), and section 11(a) of the Federal Reserve Act (12 U.S.C. § 248(a)); and
- FR 2087: Section 6 of the Federal Reserve Act (12 U.S.C. § 288) and sections 11(a) and (i) of the Federal Reserve Act (12 U.S.C. § 248 (a) and (i)).

The FR 2083 is required to obtain a benefit and the FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087 are mandatory.

The information solicited in these application forms is not considered confidential, but applicants may request that parts of the forms be kept confidential. Any request for confidential treatment of information must be accompanied by a detailed justification for confidentiality. For example, a justification for confidential treatment of business information under exemption 4 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4)), should demonstrate that substantial harm would result from public release of the information. Submissions of these forms may also be exempt under exemption 6 of FOIA (5 U.S.C. § 552(b)(6)), if a submitter identifies information of a personal nature the disclosure of which would result in a clearly unwarranted invasion of personal privacy. Additionally, exemption 8 of FOIA (5 U.S.C. § 552(b)(8)) may apply to the extent the reported information is contained in or related to examination reports. Each request for confidentiality that is received by a submitter of these forms will need to be reviewed on a case-by-case basis.

Consultation Outside the Agency

On February 24, 2016, the Board published an interim final rule in the *Federal Register* (81 FR 9082) for public comment. The comment period for this notice expired on April 29, 2016. The Board received no comments on the PRA. On November 23, 2016, the Board published a final rule in the *Federal Register* (81 FR 84415). The interim final rule is effective February 24, 2016, and the final rule is effective on January 1, 2017.

Estimate of Respondent Burden

The current annual reporting burden for the membership application is estimated to be

184 hours. The annual reporting burden for the proposed membership application would be 207 hours, an increase of 23 hours. The estimated average hours per response would increase from 4.0 hours to 4.5 hours. The current annual reporting burden for the stock applications is estimated to be 716 hours. The annual reporting burden for the proposed stock applications would be 1,052 hours, an increase of 336 hours. The estimated average hours per response for the FR 2030 and FR 2030a would increase from 0.5 hours to 1.0 hour and the FR 2056 would increase from 0.5 hours to 0.75 hours. These reporting requirements represent less than 1 percent of the total Federal Reserve System's paperwork burden.

	<i>Number of respondents²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
Federal Reserve Membership Application:				
FR 2083, FR 2083A, FR 2083B, and FR 2083C	46	1	4	184
Federal Reserve Bank Stock Applications:				
FR 2030	4	1	0.5	2
FR 2030a	2	1	0.5	1
FR 2056	1,333	1	0.5	667
FR 2086	10	1	0.5	5
FR 2086a	79	1	0.5	40
FR 2087	1	1	0.5	<u>1</u>
	<i>Total</i>			900
Proposed				
Federal Reserve Membership Application:				
FR 2083, FR 2083A, FR 2083B, and FR 2083C	46	1	4.5	207
Federal Reserve Bank Stock Applications:				
FR 2030	4	1	1	4
FR 2030a	2	1	1	2
FR 2056	1,333	1	0.75	1,000
FR 2086	10	1	0.5	5
FR 2086a	79	1	0.5	40
FR 2087	1	1	0.5	<u>1</u>
	<i>Total</i>			1,259
	<i>Change</i>			359

The total cost to the public is estimated to increase from the current level of \$10,102 to \$11,364 for the revised membership application. The total cost to the public is estimated to increase from

² Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

the current level of \$39,308 to \$57,755 for the revised stock applications.³

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for the reports is negligible.

³ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2016*, published March 31, 2017, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.